



**METALO**  
**METALO MANUFACTURING INC.**  
**(FORMERLY MUSKRAT MINERALS INCORPORATED)**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

The following is a discussion of the audited consolidated financial condition and results of operations of Metalo Manufacturing Inc. (“MMI” or “the Corporation”) for the year ended June 30, 2016. This discussion and analysis should be read in conjunction with the Corporation’s annual audited consolidated financial statements for the year ended June 30, 2016 and the related notes.

The Corporation’s principle asset is a 43.92% (44.3% at June 30, 2016 and 44.3% at June 30, 2015) interest in Grand River Ironsands Inc. (“GRI”). GRI owns 60.0% (60.0% at June 30, 2016 and 64.6% at June 30, 2015) of North Atlantic Iron Corporation (“NAIC”), a joint venture investing to become a vertically integrated pig iron producer with an mineral sands project in Labrador and Newfoundland. NAIC owns 100% of 8593302 Canada Inc., a corporation incorporated in Canada engaged in steel manufacturing. GRI also owns 100% of Forks Specialities Metal Inc. (“FSM”), which owns and operates two electric arc smelting furnaces in Pennsylvania, USA.

The consolidated financial statements are presented in Canadian dollars and have been prepared in compliance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at June 30, 2016.

Additional information about MMI can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Canadian Securities Exchange at [www.cnsx.ca](http://www.cnsx.ca)

This MD&A is dated as of October 28, 2016 and contains discussion of material events up to and including that date.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

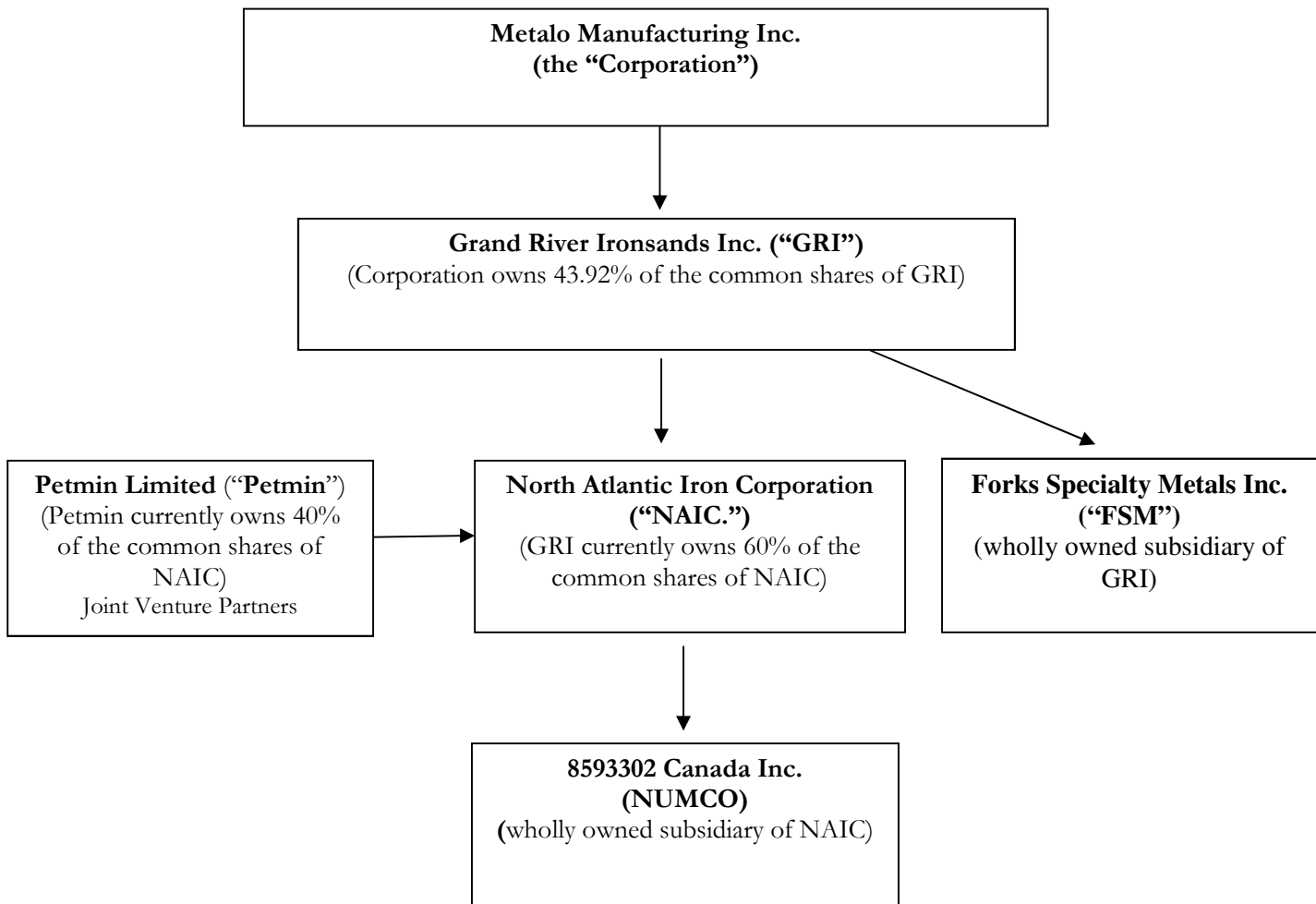
The following discussion and analysis contains forward-looking statements which reflects management’s expectations regarding the Corporation’s future growth, results of operations, performance, and business prospects and opportunities. Although the forward-looking statements reflect management’s current assumptions based upon information currently available to management and based upon what management believes to be reasonable assumptions, the Corporation cannot be certain that actual results will be consistent with these forward-looking statements. Forward-looking statements involve significant known and unknown risks, assumptions and uncertainties that may cause the Corporation’s actual results, performance, prospects, and opportunities in future periods to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other things, market demand, commodity pricing, regulatory matters, currency risks, liability claims, integration of new operations, financing risks, and interest rate risks. Although the Corporation has attempted to identify important risks and factors that could cause actual results to differ materially from those described in the forward-looking statements, there may be other factors and risks that may cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results may differ materially from those anticipated in such statements. Certain factors that may impact operations are also discussed. Such comments will be affected by, and may involve, known and unknown risks and uncertainties that may cause the actual results of the Corporation to be materially different from those expressed or implied.

Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, except as required by law, the Corporation assumes no obligation to update or revise them to reflect new events or circumstances.

**CORPORATE OVERVIEW**

METALO MANUFACTURING INC. is a publicly listed Corporation, trading on the Canadian Securities Exchange (the “CSE”), with a ticker symbol “YYR”, headquartered in Toronto, Canada.

Below is a chart of the corporate structure of the Corporation and its wholly and partially owned subsidiaries, along with the current and potential joint venture partners hereinafter explained:



The Corporation has a 43.92% shareholding in GRI, a private company which was incorporated on March 24, 2001, in the Province of Nova Scotia, pursuant to the *Companies Act* (Nova Scotia). GRI has a 60% shareholding in NAIC, a joint venture investing to become a pig iron producer through its wholly owned Canadian subsidiary NUMCO which is headquartered in Quebec. In addition, NAIC is involved in the exploration and development of a mineral sands project near Happy Valley-Goose Bay, NL, Canada. GRI and its subsidiary, NAIC, entered into a share purchase agreement with Petmin (JSE: PET), a publicly traded mining company in South Africa, dated September 15, 2010, as amended, whereby GRI contributed its mineral

claims to NAIC and Petmin acquired shares in NAIC through cash investments. Since entering into the Joint Venture agreement with GRI, Petmin has invested a total of US\$25 million into NAIC and currently holds a 40% ownership position. Petmin has the option to acquire an additional 9.9% of the common shares of NAIC, at a fair market price, increasing its potential ownership of NAIC to 49.9% on a fully diluted basis. GRI also owns 100% of Forks Specialty Metal Inc. (“FSM”), which owns and operates two electric arc smelting furnaces in Easton, PA, USA. These furnaces were essential for testing various iron ore composition and coals and will continue to be required as a laboratory for refining the pig iron process going forward.

## OVERVIEW OF NAIC

GRI and its’ JV partner, Petmin Ltd. (South Africa’s largest anthracite coal producer), have made their intentions to build a merchant pig iron plant in North America widely known. The site selection process has been shortened to two potential locations; either north of the Ohio River (on Lake Erie) or on the St. Lawrence Seaway. Management expects the final decision will be made shortly. Site selection is essential to complete the Bankable Feasibility Study and to conclude negotiations with regulators and authorities for the selected site

**8593302 CANADA INC. (NUMCO)** was recently incorporated by NAIC to be the legal entity for NAIC’s first pig iron manufacturing operation. NUMCO will be operated independently from NAIC and GRI with its own board of directors and expert management team.

### Pig Iron Plant

NAIC business model is to be a low cost North American producer of foundry grade pig iron. Foundry grade pig iron is a very high grade product and very few producers globally can achieve such standards. Project partners remain focused on those specifications and remain confident they can achieve this standard and thereby ensure premium prices for its products. NAIC’s initial manufacturing plant will be the first in North America dedicated solely to the production of pig iron. North America currently imports 4-5 million tonnes of pig iron annually primarily from Brazil, Russia, South Africa and the Ukraine. This plant is being designed to provide a new standard for environmental emissions and stewardship as well as to be strategically located to provide competitive advantage in both access to raw materials as well as access to markets.

- The Bankable Feasibility Study (BFS) is currently in draft form and being presented to project partners. There was a joint Board of Directors (MMI and Grand River Ironsands Incorporated (GRI)) meeting on September 12, 2016 to undertake a technical and economic review of the document. Recommendations were reviewed along with feedback on the BFS provided to allow for its completion, which is expected after further details are confirmed. This is a substantive document that has been an intense effort between SNC Lavalin (construction) and Tenova/Techint (technology) and will form the basis for advancing the project. No significant issues have been encountered during the process.
- Negotiations are continuing with a Canadian province and efforts are now being devoted to finalizing a formal contract that will be mutually acceptable and announced before the end of 2016. The project has secured a site option on suitable land that will remain in effect for at least one-year. The contract for site permitting was awarded to “SNC Lavalin” and work is progressing on schedule. Permitting efforts will see public consultations over the next 45 days with a view to better understanding any key issues prior to concluding a formal contract. Indications to date from the pre-engineering and design reveal emissions from the plant will meet or better all present environmental standards Positive environmental outputs will positively impact the permitting effort.
- Given that the Corporation will be acquiring iron ore concentrate from the merchant market, discussions with potential providers and testing of their respective iron ore for the pig iron manufacturing plant will be ongoing. Iron ores from two producers have been tested along with steel mill reverts (waste material containing iron ore) and those results were successful.

The key goals for the initial pig iron manufacturing initiative for the next several months will be to (i) finalize the site selection and complete the permitting process for the first pig iron making facility; (ii) complete and release the Bankable Feasibility

Study for the chosen site; (iii) review the project economics and complete and publish the Economic Assessment; (iv) assess the interest of strategic partners for partnering, off-take and other possible business arrangements; (v) initiate a capital raise campaign and other corporate related requirements with all partners to the project.

### Labrador Mineral Sands

NAIC's exploration properties are located in the Goose Bay region of Newfoundland and Labrador. The claims are located in central Labrador immediately to the east, west, south, southwest and southeast of the Town of Happy Valley-Goose Bay. The claims extend west of Muskrat Falls along the lower Churchill River to Hamilton Inlet and from the Churchill River to the boundary of the Mealy Mountains National Park. Over the last several months GRI has undertaken a major review of all claims with a view to only maintain those claims that are critical to the mining operation in Goose Bay, Labrador and Newfoundland to reduce carrying costs and future work commitments. This review resulted in the cancellation and forfeiture of minerals claims associated with several significant blocks. At the date of the MD&A the property comprises 321 claims in 4 claim blocks with a total area of approximately 45 square kilometres. Management are confident that this significant reduction in claims will have no material impact on a future development solution.

### NAIC Mineral Claims

Claim No	No Claims	Issued	Status	Renewal Date	NTS Map
<b>Cartwright Claims</b>					
021069M	140	5/27/2008	Active	5/27/2018	13F/01, 13F/08
<b>South Branch</b>					
017911M	44	8/23/2010	Active	8/23/2020	13F/02, 13F/07
<b>Muskrat</b>					
017907M	23	8/23/2010	Active	8/23/2020	13F/07
<b>Hoffman</b>					
018325M	114	1/6/2011	Active	1/6/2021	13F/03, 13F/02
<b>Total</b>	<b>321</b>				

Mineral claim deposits are licenses held by NAIC with the province of Newfoundland and Labrador that required a deposit and commitment by NAIC to inject a prescribed amount of exploration expenditures into the land designated by the license within a five year time frame. As at the date of the MD&A the Corporation has injected the prescribed amount of exploration expenditures into the remaining mineral claims.

- On June 17, 2014, the Corporation filed on SEDAR "NI 43-101" highlighting resource estimates from three major mineral blocks contained within the Corporation's Labrador mineral claims, together with extensive mineral analysis, processing tests, smelting, and melt tests conducted over the last 12-24 months. The "NI 43-101" was prepared by SRK Consulting (Canada) Inc. supplemented by technical assistance and review for processes and mineral testing by Hatch Engineering of Mississauga, ON. Please refer to the "NI 43-101" document for detailed resource estimates, detailed mineral analysis, and detailed results from the smelting and melt tests conducted by the Corporation.
- A pilot separation plant in Happy Valley-Goose Bay was commissioned in 2012, to produce iron ore concentrate from NAIC's iron sands resource. Concentrate was transported to the United States and elsewhere to be used as feedstock for significant direct reduction and smelting tests. The majority of the testing occurred at GRI's, wholly owned subsidiary FSM in Easton, PA. FSM acquired two 1MW submerged arc furnaces ("SAF") in 2013 to provide demonstration scale versions of what NAIC plans to use in a commercial pig iron production plant. The FSM facilities undertook the extensive smelting tests required to prove the technical and economic viability of producing pig iron from NAIC's iron sands. However, due to several factors, including the current over supply of iron ore feedstock, it was decided to source iron ore from other Canadian producers for its first pig iron plant. This has resulted a significant reduction in both time and costs from earlier estimates.

- NAIC continues testing work on its minerals sands resource in Labrador to evaluate potential of various minerals of “economic interest” contained within the resource. The work undertaken by Worley Parsons and SRK Consultants in the Preliminary Economic Assessment (PEA) was filed on SEDAR in June 2014 and primarily identified an iron ore resource. Recent discussions with mineral sands experts in China will serve as the basis for continued efforts in the remainder of 2016. The ongoing focus is to better understand the economics of the other minerals such as garnet, zircon, feldspars, and silica sands, as well as the recovery of vanadium and titanium from slag if and when the iron ore material is used to make pig iron. A major Chinese engineering firm considered a global expert in mineral sands is developing a market plan to assess and advance the mineral sands of Labrador.

The efforts over the next 12 months on the Labrador mineral sands resource; will be primarily two-fold – to establish the potential economics of other valuable minerals other than the iron products; secondly, to better understand the economic and operational issues related to the port infrastructure, locating a plant and transport solutions

### **FORKS SPECIALTY METALS (FSM)**

GRI continues to access joint venture and/or partnering opportunities for its wholly owned subsidiary Forks Specialty Metals (FSM). FSM owns and operates two electric arc furnaces in Pennsylvania. These furnaces were essential for testing various iron ore composition and coals and will continue to be required as a laboratory for refining the pig iron process going forward. However, they are underutilized and GRI management continues to seek partnering and/or joint venture opportunities to more fully utilize this major asset. FSM is continuing to access the feasibility of the smelting of electronic waste to capture and recycle the copper, gold and other valuable metals found in end of life electronic units. This potential joint venture will be one of the few such smelting operations in the United States focused on electronic waste. FSM is meeting with electronic waste recyclers to determine if an economical supply of scrap material can be guaranteed to sustain a smelting operation. The target is to achieve a commercial use for the furnaces by year end.

### **FINANCIAL SUMMARY**

The Corporation is in the mining, exploration and manufacturing sectors through its interest in GRI.

The audited consolidated financial statements for the year ended June 30, 2016 include all the accounts of the Corporation, including GRI, NAIC, FSM and NUMCO.

The following discussion addresses the operating results and financial condition of the Corporation for the year ended June 30, 2016. This discussion and analysis is qualified in its entirety by reference to and should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended June 30, 2016 and the related notes thereto, as well as reference to the forward-looking statements within this report. All results in this report are presented in Canadian dollars, unless otherwise indicated.

### **HIGHLIGHTS**

Following is a summary of the major financial highlights for the year ended June 30, 2016, and to the date of this MD&A

- On September 14, 2015, a settlement of \$610,000 was released to GRI from the Province of Newfoundland and Labrador representing the recovery of the costs associated with the forfeiture of the Porcupine Strand licenses which became a part of the Mealy Mountain National Park.
- During the year MMI acquired an additional 700,000 common shares of GRI for consideration of \$350,000 increasing their holdings to 44.3%.
- On July 8, 2015, Petmin purchased 30 additional common shares in NAIC for consideration of US\$2,000,000 increasing their holding to 37.8%.

- On February 10, 2016 Petmin purchased 29 additional common shares in NAIC for consideration of US \$2,000,000 increasing their holding to 40.0%. This latest investment completes Petmin's US\$25 million commitment. Petmin have indicated it is fully committed to the project and are prepared to add to its investment as the project advances.
- On May 2, 2016, the Corporation issued 56,021 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation. This issuance represents interest due May 1, 2016 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.4462577 per share, which is the volume-weighted trading price for the 20 trading days ending April 1, 2016. The securities are subject to a four-month hold period following the date of issuance.
- On August 2, 2016, the Corporation issued 25,518 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation. This issuance represents interest due August 1, 2016 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.9797 per share, which is the volume-weighted trading price for the 20 trading days ending July 1, 2016. The securities are subject to a four-month hold period following the date of issuance.
- On August 26, 2016 GRI borrowed \$250,000 from an unrelated party for 90 days with interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of \$0.01 per share.
- On September 29, 2016 GRI borrowed \$250,000 from Forest Lane Holdings Limited, a related party, for 90 days with interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of \$0.01 per share.
- On September 30, 2016, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of \$1.25 per share for aggregate proceeds of \$256,250.

## Financial and operational results

### NON-GAAP Financial Measures

There are measures included in this MD&A that does not have a standardized meaning under GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Corporation includes these measures because it believes certain investors use these measures as a means of assessing financial performance. Management believes that the measure 'Loss before the undernoted' is an important indicator of the Corporation's ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt, and fund future capital expenditures and uses this measure for that purposes. In addition, the Corporation's management reporting system evaluates performance based on a number of factors; however, the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA"). Management adjusts measures in an effort to provide investors and analysts with a more comparable year-over-year performance measure than the basic measure, by excluding certain items. These items could impact the analysis of trends in performance and affect the comparability of our financial results. By excluding these items, management is not implying they are non-recurring.

The consolidated financial statements of the third quarter of 2016 have been restated to give effect to the following elements:

- 1- Reclassification of the industrial equipment at Forks as discussed in Notes 5 and 7

These restatements had no effect on the operating, financing or investment activities.

The following tables summarize selected yearly and quarterly financial results from operation for the last two fiscal years.





Selected Consolidated Operating Results				
	Three Months		Year Ended	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
	\$'s	\$'s	\$'s	\$'s
Revenue	-	-	-	-
Expenses				
Advertising and promotion	(26,099)	1,008	4,143	1,627
Utilities	15,312	42,221	112,181	131,757
Consulting	24,911	1,893	244,348	2,816
Dues and fees	2,327	2,284	23,761	29,877
Exploration Costs	-	494,415	1,264	923,022
Project feasibility costs	46,220	-	46,220	-
Foreign exchange losses	11,336	96,477	(83,205)	175,832
General and administrative	74,213	98,070	182,875	205,779
Insurance	24,964	27,596	100,422	92,738
Management fees	354,453	239,654	1,145,270	947,118
Professional fees	7,500	12,450	31,450	45,750
Rental	246,045	247,916	1,058,984	912,839
Travel	316,942	87,783	494,542	718,606
Stock based compensation	288,000	959,000	288,000	1,330,000
Salaries and wages	134,753	126,974	547,063	476,221
<b>Operating loss before under noted</b>	<b>(1,520,877)</b>	<b>(2,437,741)</b>	<b>(4,197,318)</b>	<b>(5,993,982)</b>
Amortization	(134,200)	(9,706)	(533,589)	(36,732)
Interest	(67,252)	(38,353)	(294,675)	(59,825)
<b>Consolidated income (loss)</b>	<b>(1,722,329)</b>	<b>(2,485,800)</b>	<b>(5,025,582)</b>	<b>(6,090,539)</b>
Expense recovery Porcupine Strand	327,609	-	494,979	-
Loss on sale of fixed assets	-	-	(853)	-
Gain (loss) on investments	(1,170)	(16,942)	7,277	(136,678)
Income tax recovery	134,304	489,338	1,071,789	1,483,610
Other comprehensive income	(3,683)	290,413	82,508	290,413
Non-controlling interest	765,777	510,777	2,398,898	1,884,232
<b>Comprehensive (loss) attributable to MMI</b>	<b>(499,492)</b>	<b>(1,212,215)</b>	<b>(970,984)</b>	<b>(2,568,961)</b>
Income (Loss) per share	(0.029)	(0.070)	(0.056)	(0.149)
<b>Avg. Weighted Shares O/S</b>	<b>17,260,049</b>	<b>17,251,018</b>	<b>17,260,049</b>	<b>17,251,018</b>

### Overall performance for the year ended June 30, 2016

The consolidated loss for the three-month period ended June 30, 2016, was (\$1,722,329) compared to a loss of (\$2,485,800) for the prior year. For the year ended June 30, 2016 the consolidated loss before extraordinary items was (\$5,025,582) compared to a loss of (\$6,090,539) for the prior year. The major increase in the consolidated loss was the costs related to increased activity as the corporation moved to secure a site and determine the feasibility of manufacturing pig iron as well as the reclassification of Forks equipment from iron interest to industrial equipment and resulting increase in amortization of \$496,857 offset by a reduction in stock based compensation expense in the amount of \$1,042,000 due to no options being issued by MMI in 2016.



For the year ended June 30, 2016 the comprehensive loss attributed to MMI shareholders was (\$970,984) (\$0.056 per share) compared to a loss of (\$2,568,961) (\$0.149 per share) for the prior year. The major reduction was due to the recoveries related to Porcupine Strand in the amount of \$494,979 and reduced stock based compensation expense of \$1,042,000.

## Revenue

The Corporation does not expect any revenues in the immediate future from its principle line of business, the production of pig iron.

## Expense Highlights

### Consulting

For the three-month period ended June 30, 2016 the Corporation had consulting expense of \$24,911 compared to \$1,893 in the comparable period in the prior year. For the year ended June 30, 2016, the Corporation had consulting expense of \$244,348 compared to \$2,816 for the prior year. The significant increase in the result of fees related to site selection, permitting, and the feasibility work related to the proposed pig iron manufacturing facility.

### Exploration Costs

Exploration costs relate to carrying costs of mineral claims and licenses and are all associated with the corporation property in Goose Bay, Labrador and Newfoundland. There were essentially no exploration costs in 2016. For the quarter ended June 30, 2015 exploration costs in the amount of \$494,415 consisted of \$249,000 for drilling test holes and extracting core samples for analysis, the balance of \$243,415 related the analysis and evaluation of core samples. For the year ended June 30, 2015 exploration costs in the amount of \$923,022 consisted of \$132,037 for drilling test holes and extracting core samples, \$264,624 for testing, analysis and consulting fees, \$10,794 for geologist and associated costs and \$515,567 for claim deposits forfeited

### Stock based compensation

For the three-month period ended June 30, 2016 the Corporation had stock based compensation non-cash expense of \$288,000 compared to \$959,000 in the comparable period in the prior year. For the year ended June 30, 2016, the Corporation had stock based compensation expense of \$288,000 compared to \$1,330,000 for the prior year. The reduction is the result of MMI not issuing any stock options in 2016.

### Amortization

For the three-month period ended June 30, 2016 the Corporation had amortization expense of \$134,200 compared to \$9,706 in the comparable period in the prior year. For the year ended June 30, 2016, the Corporation had amortization expenses of \$533,589 compared to amortization expenses of \$36,732 for the prior year. The significant increase in amortization is the result of Forks industrial equipment in the amount of \$3,700,000 being reclassified as of July 1, 2015 from iron interest to fixed assets.

### Interest Expense

For the three-month period ended June 30, 2016 the Corporation had interest expense of \$67,252 compared to \$38,353 in the comparable period in the prior year. For the year ended June 30, 2016, the Corporation had interest expense of \$294,675 compared to interest expenses of \$59,825 for the comparable periods in the prior year. These amounts do not include interest expense that was capitalized during the year. The increase reflects the impact of the 5% convertible debenture issued in May 2015.





## Income tax recovery

Income taxes are calculated using the liability method. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As at June 30, 2016 the Corporation and its subsidiaries had approximately \$15,405,038 on non-capital losses carried forward to reduce future years' taxable income. The deferred tax benefit of these losses has been recognized as a reduction of the deferred tax liabilities.

## Selected Quarterly Financial Data

The following table reports the operating results for the last eight quarters. The quarterly data has been restated to give effect to the reclassification of Forks industrial equipment. See comments on page 6 of the MD&A.

Selected Quarterly Financial Data								
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
	2016	2016	2015	2015	2015	2015	2014	2014
		Restated	Restated	Restated				
Expenses								
Advertising and promotion	(26,099)	30,242	-	-	1,008	619	-	-
Utilities	15,312	51,692	25,556	19,621	42,221	47,059	22,166	20,311
Consulting	24,911	42,700	104,007	72,730	1,893	-	173	750
Dues and fees	2,327	2,419	16,020	2,995	2,284	2,250	14,637	10,706
Exploration Costs	-	1,264	-	-	494,415	5,226	374,268	49,113
Profect feasibility costs	46,220	-	-	-	-	-	-	-
Foreign exchange losses	11,336	135,003	(13,233)	(216,311)	96,477	92,881	(33,009)	19,483
General and administrative	74,213	13,565	18,393	76,704	98,070	25,904	43,581	38,224
Insurance	24,964	21,776	27,057	26,625	27,596	22,709	8,842	33,591
Management fees	354,453	281,864	264,020	244,933	239,654	239,943	318,513	149,008
Professional fees	7,500	7,500	16,450	-	12,450	6,090	19,710	7,500
Rental	246,045	288,868	261,162	262,909	247,916	242,989	141,333	280,601
Travel	316,942	116,571	140,497	(79,468)	87,783	373,758	92,271	164,794
Stock based compensation	288,000	-	-	-	959,000	-	371,000	-
Salaries and wages	134,753	144,973	134,829	132,508	126,974	125,839	124,966	98,442
<b>Operating loss before under noted</b>	<b>(1,520,877)</b>	<b>(1,138,437)</b>	<b>(994,758)</b>	<b>(543,246)</b>	<b>(2,513,964)</b>	<b>(1,182,442)</b>	<b>(1,425,052)</b>	<b>(872,523)</b>
Expense recovery Porcupine Strand	327,609	-	-	167,370	-	-	-	-
Other comprehensive income	(3,683)	(140,972)	78,561	148,602	290,413	-	-	-
Amortization	(134,200)	(134,624)	(134,578)	(130,187)	(9,705)	(9,009)	(9,009)	(9,009)
Interest expense	(67,252)	(78,990)	(75,673)	(72,760)	(38,353)	(9,768)	(7,222)	(4,482)
Loss on sale of fixed assets	-	-	(853)	-	-	-	-	-
Gain (loss) on investments	(1,170)	1,170	(13,486)	20,763	(16,943)	45,105	(72,946)	(91,895)
Income tax recovery	134,304	406,748	370,018	160,719	489,338	347,490	343,631	303,151
<b>Consolidated Income (Loss)</b>	<b>(1,265,269)</b>	<b>(1,085,105)</b>	<b>(770,769)</b>	<b>(248,739)</b>	<b>(1,799,214)</b>	<b>(808,624)</b>	<b>(1,170,598)</b>	<b>(674,758)</b>
Non-controlling interest	926,181	885,343	566,205	21,169	510,777	519,103	416,915	437,438
<b>Comprehensive (Loss)</b>	<b>(339,088)</b>	<b>(199,762)</b>	<b>(204,564)</b>	<b>(227,570)</b>	<b>(1,288,437)</b>	<b>(289,521)</b>	<b>(753,683)</b>	<b>(237,320)</b>
Income (Loss) per share	(\$0.020)	(\$0.012)	(\$0.012)	(\$0.013)	(\$0.075)	(\$0.017)	(\$0.044)	(\$0.014)
<b>Avg. Weighted Shares O/S</b>	<b>17,260,049</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>

## Segmented Information

The Corporation's Board of Directors monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Corporation's income taxes are monitored on a consolidated level and are not allocated to operating segments.



## Geographical segments

The above segments are managed on a worldwide basis, but operate in two principal geographical areas, namely, Canada and the United States. Segment assets are based on the geographical location of the assets.

Non-current assets	30-Jun-16	30-Jun-15
	\$	\$
Canada	59,270,250	57,933,172
United State of America	2,016,263	2,605,211
<b>Total non-current assets</b>	<b>61,286,513</b>	<b>60,538,383</b>

Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
30/Jun/16	30/Jun/15	30/Jun/16	30/Jun/15	30/Jun/16	30/Jun/15	30/Jun/16	30/Jun/15	30/Jun/16	30/Jun/15	30/Jun/16	30/Jun/15
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-	-	-	-	-	-
-	-	579,511	217,946	-	-	1,962,048	1,901,357	(2,541,559)	(2,119,303)	-	-
-	-	579,511	217,946	-	-	1,962,048	1,901,357	(2,541,559)	(2,119,303)	-	-
216,587	633,237	2,215,903	1,653,412	6,283,697	1,980,191	1,936,952	1,945,088	(6,455,821)	(217,947)	6,272,534	5,993,981
(216,587)	(633,237)	(1,636,392)	(1,435,466)	(6,283,697)	(1,980,191)	25,095	(43,731)	3,914,262	(1,901,356)	(4,197,318)	(5,993,981)
-	-	(2,579)	(4,342)	(19,869)	(25,107)	(511,142)	(7,282)	-	-	533,589	(36,731)
(180,309)	(32,749)	(19,423)	(5,519)	(39,550)	(1,325)	(93,558)	(20,233)	38,166	-	(294,675)	(59,826)
-	-	494,979	-	-	-	-	-	-	-	494,979	-
-	-	(853)	(146,293)	-	-	-	-	-	-	(853)	(146,293)
-	-	(234,046)	9,615	-	-	-	-	-	-	(234,046)	9,615
-	-	241,323	-	-	-	-	-	-	-	241,323	-
(180,309)	(32,749)	479,402	(146,539)	(59,419)	(26,432)	(604,700)	(27,515)	38,166	-	(326,861)	(233,235)
(396,896)	(665,986)	(1,156,990)	(1,582,006)	(6,343,115)	(2,006,623)	(579,605)	(71,246)	3,952,428	(1,901,356)	(4,524,179)	(6,227,216)
4,995,517	5,297,574	4,033,382	6,165,660	57,680,912	61,068,304	2,810,914	3,257,578	(7,065,382)	(12,461,401)	62,455,343	63,327,715
9,264,322	10,247,977	76,923	1,038,618	2,625,072	780,609	3,390,052	3,339,619	(3,556,494)	(799,851)	11,799,873	14,606,973

## Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet as at June 30, 2016 with comparable numbers for the prior two fiscal years.

<b>Selected Consolidated Balance Sheet Items</b>			
	<b>Year Ended</b>	<b>Year End</b>	<b>Year End</b>
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
	<b>\$'s</b>	<b>\$'s</b>	<b>\$'s</b>
Cash	591,665	1,375,031	1,977,562
Restricted cash	-	610,000	-
Other receivables	114,337	179,796	62,598
Prepaid and other deposits	446,448	532,240	431,837
Investment and loan receivable	16,381	92,266	474,487
Iron interests	57,109,885	60,396,574	72,499
Project development costs	2,074,815	-	-
Mineral claim deposits	-	-	334,045
Property and equipment	2,101,813	141,808	2,101,813
Accounts Payable	(1,105,058)	(2,952,818)	(1,390,611)
Current portion long term debt	(1,171,550)	(1,184,923)	-
Long term debt	(1,789,334)	(1,663,511)	(1,453,032)
Deferred Taxes	(7,733,931)	(8,805,720)	(10,289,326)
Shareholders' Equity (Deficiency)	22,444,827	19,718,228	18,947,830
Shareholders' Equity associated with Non controlling interests	28,210,641	29,002,515	29,480,922

Details of significant balance sheet items are detailed below.

### **Restricted Cash**

On March 24, 2015 by contractual agreement with the “Government of Newfoundland and Labrador” the licenses of Porcupine Strand were terminated in exchange for compensation in the amount of \$610,000. On September 14, 2015, it was confirmed that all conditions had been met and the funds are released.

### **Account and Other Receivables**

Principally consists of HST receivable.

### **Prepaid and Other Deposits**

The prepaid and other deposits in the amount of \$446,448 at June 30, 201 consists principally of a rent security deposit for the smelting facility in Forks, PA, prepaid liability and environmental insurance and various utilities prepaid.



## Iron interests

<b>Iron Interests</b>				
	<b>Balance</b>			<b>Balance</b>
	<b>30-Jun-15</b>	<b>Additions</b>	<b>Deletions</b>	<b>30-Jun-16</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Labrador Mineral Sands	60,281,553	72,499	(3,244,167)	57,109,885
Porcupine Strand	115,021	-	(115,021)	-
	60,396,574	72,499	(3,359,188)	57,109,885

The reduction in iron interests resulted from change of use and corresponding reclassification of industrial equipment at Forks Specialty Metals previously used in the evaluation of the technical feasibility of the Corporation's iron interests to property and equipment and the reversal of accrual. See note 5 for details.

## Mineral Claim Deposits

Mineral claim deposits are licenses held by NAIC with the province of Newfoundland and Labrador that required a deposit and commitment by NAIC to inject a prescribed amount of exploration expenditures into the land designated by the license within a five-year time frame. If NAIC fulfills their commitment, the deposit will be fully refundable; if NAIC doesn't fulfill their commitment, they will forfeit the deposit, at which time the cost will be written off. As a result of the review and the abandonment of several claim blocks all current mineral claim deposits were forfeited.

Over the last several months GRI has undertaken a major review of all claims with a view to only maintaining those claims that are critical to the mining operation in Goose Bay, Labrador and Newfoundland to reduce carrying costs and future work commitments. This review resulted in the cancellation and forfeiture of minerals claims associated with several significant blocks. At the date of the MD&A the property comprises 321 claims in 4 claim blocks with a total area of approximately 45 square kilometres. Management are confident that this significant reduction in claims will have no material impact on future mining operation in Goose Bay, Labrador.

<b>Mineral claim deposits</b>				
	<b>Balance</b>			<b>Balance</b>
	<b>30-Jun-15</b>	<b>Additions</b>	<b>Deletions</b>	<b>30-Jun-16</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Mineral claim deposits	334,045	-	334,045	-

## Project development costs

Represents engineering and consulting costs associated with the preparation of the Bankable Feasibility Study, site selection and permitting for the proposed pig iron facility.

## Property and Equipment

The major increase fixed assets in the current year represents the reclassification of industrial equipment at Forks Specialty Metals with a cost basis of \$3,527,932 and accumulate depreciation of \$1,154,843 previously used in the evaluation of the technical feasibility of the Corporation's iron interests to property and equipment.

Description	Cost			Accumulated Depreciation				Net Book	Net Book
	Balance	Net	Balance	Balance			Balance	Value	Value
	30-Jun-15	Additions	30-Jun-16	30-Jun-15	Depreciation	Disposals	30-Jun-16	30-Jun-15	30-Jun-16
Computer hardware	15,138	-	15,138	8,497	1,991		10,488	6,641	4,650
Automotive equipment	6,295	(6,295)	-	3,210	232	(3,442)	-	3,085	-
Other Equipment	196,430	2,494,996	2,691,426	95,855	524,675		620,531	100,575	2,070,895
Office furniture and equipment	49,986	2,098	52,084	18,479	7,337		25,816	31,507	26,268
	<b>267,849</b>	<b>2,490,799</b>	<b>2,758,648</b>	<b>126,041</b>	<b>534,235</b>		<b>656,835</b>	<b>141,808</b>	<b>2,101,813</b>

## Accounts Payable

The accounts payable balance at June 30, 2016 was \$1,257,503 compared to \$2,952,819 at June 30, 2015. The significant reduction is mainly the result of the accrual of management fees, travel expenses and financing commissions related to Petmin's investment in the amount of approximately \$1,971,000 which was settled in July 2015. Included in year-end accounts payable are accrued and billed costs of \$801,000 related to site selection, permitting, and feasibility charges for the pig iron manufacturing plant. The remainder represents year end accruals and trade accounts payable.

## LIQUIDITY AND CAPITAL RESOURCES

The Corporation has no revenue generating operations from which it can internally generate funds. To date, the Corporation's ongoing operations have been predominantly financed through sale of its equity securities by way of private placements and or shareholders loans and advances. There can no assurances that equity financing or other sources of capital will be available or available on terms acceptable to the Corporation if and when required.

Currently the Corporation has approximate cash on hand of \$253,000 CDN equivalent. The Corporation expects that it will operate at a loss for the foreseeable future. The Corporation believes that outside sources for debt and additional equity capital, if needed, will be available to finance ongoing operations and expansion. The form of any financing will vary depending upon prevailing market and other conditions, and may include short or long-term borrowings from financial institutions, or the issuance of additional equity or debt securities. However, there can be no assurance that funds will be available on terms acceptable to the Corporation and its actions with respect to these activities will be guided accordingly.

## Long-Term Debt

NAIC received an interest-free repayable loan from ACOA, a government agency, in the amount of \$500,000. The loan is repayable in five annual equal and consecutive installments commencing nine months after the end of the fiscal year in which 'Project Success' is achieved. It is anticipated that 'Project Success' will be achieved in the fiscal year ending June 30, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

FSM received a loan from the State of Pennsylvania in the amount of US\$1, 600,000 (\$1,682,880) to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US\$14,017, commencing March 1, 2013, maturing on February 1, 2023. The carrying value of the loan has been discounted using an effective interest rate of 9%.

### Convertible debenture

On May 1, 2015, the Corporation announced that it had completed a non-brokered private placement of an unsecured convertible debenture for proceeds of \$2,000,000. A company controlled by an officer and director of the Corporation fully subscribed to the offering.

The debenture will mature on May 1, 2020 and will bear interest at a rate of 5% per annum payable quarterly. The debenture shall be convertible, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. The conversion price will be \$0.80 per common share if exercised within 12 months of closing and will increase by \$0.05 per common share on the anniversary date each year thereafter until the maturity date.

**Please refer to Note 9 for further details and explanations related to long term debt.**

### Share Capital

A summary of the Corporation's common shares outstanding as of June 30, 2016 is presented below:

COMMON STOCK ISSUED AND OUTSTANDING	June 30, 2016		June 30, 2015	
	Number of Shares	\$	Number of Shares	\$
Authorized: Unlimited number of common shares				
Opening Balance	17,251,018	8,948,978	17,251,018	8,948,978
Shares issued for convertible debt interest	56,021	25,000	-	-
<b>Closing Balance</b>	<b>17,307,039</b>	<b>8,973,978</b>	<b>17,251,018</b>	<b>8,948,978</b>

### Stock Options

Under the Corporation's employee stock option program, the Board of Directors may, at its discretion, grant options to purchase common shares to directors, officers, employees or consultants of the Corporation. Shareholders approved the number of shares reserved for issuance under the Plan be a maximum of 20% of the issued and outstanding shares, as of the record date, in accordance with the Stock Option Plan approved by Shareholders. However, only 10% can be issued to insiders of the Corporation. Vesting periods are determined by the Board of Directors at the time of the grant and can range up to 3 years from the date of the grant. The Corporation has reserved 3,450,203 common shares pursuant to the stock option plan. Any unexercised options that expire or are forfeited become available again for issuance under the plan. Compensation costs of options granted under the stock option plan are measured at the granting date based upon a fair value of the award and is recognized over the related service period.

On May 28, 2012, 144,000 options were granted to Directors and Officers under the stock purchase plan at an exercise price of \$0.65. These options vested immediately.

On November 30, 2012, 450,000 options were granted to Directors and Officers under the stock option plan at an exercise price of \$0.65. These options vested immediately.



On December 6, 2013, 985,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of \$0.85. These options vested immediately and expire in 10 years.

On December 8, 2014, 535,000 options were granted to directors, officers, employees and consultants under the stock purchase plan at an exercise price of \$0.75. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of \$0.75; and a weighted average expected life of the option of 5 years. The expected volatility is based on historical volatility of the Company's shares since March 30, 2012.

A summary of the Corporation's outstanding stock option is presented below:

<b>Continuity of Stock Options Issued and Outstanding</b>				
	<b>June 30, 2016</b>		<b>June 30, 2015</b>	
	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>
<b>Beginning balance</b>	<b>2,114,000</b>	<b>\$0.77</b>	<b>1,579,000</b>	<b>\$0.73</b>
Cancelled during the year	-	-	-	-
Issued during the year	-	-	535,000	\$0.85
<b>Ending Balance</b>	<b>2,114,000</b>	<b>\$0.77</b>	<b>2,114,000</b>	<b>\$0.77</b>

Options outstanding at June 30, 2016 are as follows:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Issued</b>	<b>Exercisable</b>
			<b>June 30, 2016</b>	
May 28, 2012	May 28, 2022	\$0.65	144,000	144,000
Nov. 30, 2012	Nov. 30, 2022	\$0.65	450,000	450,000
Dec. 06, 2013	Dec. 06, 2023	\$0.85	985,000	985,000
Dec. 08, 2014	Dec. 08, 2024	\$0.75	535,000	535,000
<b>Total</b>			<b>2,114,000</b>	<b>2,114,000</b>

Note: There were no MMI stock options issued during fiscal 2016.

#### **Grand River Ironsands Incorporated Stock Options**

The Board of Directors of GRI has established a 10% rolling stock option plan under which options to purchase common shares are granted to directors, officers, consultants and key employees of GRI. Options to acquire common shares are granted at prices as determined by the Board of Directors. Options expire five years from the date of the grant.

At June 30, 2016, there were 2,356,433 common shares reserved pursuant to the stock option plan, of which 2,356,000 options to acquire common shares have been issued and are outstanding under the plan. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On December 8, 2014, GRI granted 494,000 options to directors, officers, employees and consultants of GRI under the stock purchase plan at an exercise price of \$2.10. These options vested immediately and expire in 5 years. The fair value of these

option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of \$2.10; and a weighted average expected life of the option of 5 years.

On May 27, 2016, GRI granted 150,000 options to directors, officers, employees and consultants of GRI under the stock purchase plan at an exercise price of \$2.50. These options vested immediately and expire in 5 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 0.78%; dividend yields of nil; volatility factor of 164.02%; share prices of \$2.07; and a weighted average expected life of the option of 5 years.

A summary of the GRI's outstanding stock option and changes is presented below:

<b>Continuity of Stock Options Issued and Outstanding</b>				
	<b>June 30, 2016</b>		<b>June 30, 2015</b>	
	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>
<b>Beginning Balance</b>	<b>2,356,000</b>	<b>\$1.47</b>	<b>2,356,000</b>	<b>\$1.25</b>
Cancelled/expired during the year	(390,000)	\$1.25	(390,000)	\$1.25
Issued during the year	150,000	\$2.50	494,000	\$2.10
<b>Ending Balance</b>	<b>2,116,000</b>	<b>\$1.73</b>	<b>2,356,000</b>	<b>\$1.47</b>

#### **Options outstanding at June 30, 2016:**

		<b>Exercise Price</b>	<b>Issued</b>	<b>Exercisable</b>
<b>Grant Date</b>	<b>Expiry Date</b>	<b>Price</b>	<b>Tuesday, June 30, 2015</b>	
Sept. 02, 2011	Sept. 02, 2016	\$1.25	415,000	415,000
May 31, 2012	May 31, 2017	\$1.25	495,000	495,000
Nov. 05, 2012	Nov. 05, 2017	\$1.25	87,000	87,000
Dec. 06, 2013	Dec. 06, 2018	\$2.10	475,000	475,000
Dec. 08, 2014	Dec. 08, 2019	\$2.10	494,000	494,000
May 27, 2016	May 27, 2021	\$2.10	150,000	150,000
<b>Total</b>			<b>2,116,000</b>	<b>2,116,000</b>

Continuity of Stock Based Payment Reserve for the year ended June 30, 2016 and fiscal year June, 30, 2015 are presented below:

<b>Continuity of Stock Based Payment Reserve</b>		
	<b>30/Jun/16</b>	<b>30/Jun/15</b>
<b>Beginning balance</b>	<b>\$ 913,000</b>	<b>\$ 288,000</b>
Stock Compensation expense Corporation	371,000	625,000
Stock Compensation expense Subsidiary	959,000	-
<b>Ending balance</b>	<b>\$ 2,243,000</b>	<b>\$ 913,000</b>

## CRITICAL ACCOUNTING POLICIES

### General

The accounting policies have been reviewed with the Corporation's Audit Committee and are as described in Note 2 to the consolidated financial statements.

### Basis of Presentation and Going Concern

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Chartered Professional Accountants of Canada Handbook – Accounting – Part 1 ("CPA Canada Handbook"), which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation and its subsidiaries have not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the subsidiary's interest in the underlying mining claims, the ability of the Corporation and its subsidiaries to obtain necessary financing from shareholders, investors and lenders to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing exploration efforts. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern. Management plans to raise additional debt and/or equity financing in order to continue operations. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Corporation. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

### Critical Accounting Estimates

The preparation of consolidated financial statements under IFRS requires the Corporation to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. Refer to note 2(n) of the consolidated financial statements for details on accounting estimates and assumptions that may impact its reported financial position, results of operations and cash flows.

## RISK FACTORS

### *Limited Business History*

The likelihood of success of the Corporation must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Corporation has limited financial resources and there is no assurance that additional funding shall be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that the Corporation can generate revenues, operate profitably, or provide a return on investment, or that it shall successfully implement its plans.

### *Additional Funding Requirements*

### *Property Commitments*

The property of NAIC in which the Corporation has an indirect interest is subject to work commitments and may be subject to other land payments, royalties and/or work commitments to the land claim holder, the Innu Second Nation. Failure by GRI and NAIC to meet their payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests and dilution.

### *Potential Joint Ventures*

Due to the cost of establishing and operating mining operations, the Corporation may enter into joint ventures in respect of certain mineral exploration properties that may be acquired by the Corporation. Any failure of such joint venture partners to meet their obligations to the Corporation or to third parties could have a material adverse effect on the joint ventures and the Corporation as a result. In addition, the Corporation may be unable to exert influence over strategic decisions made in respect.

### *Resources and Reserves*

On June 17, 2014, the corporation filed on SEDAR “NI 43-101” highlighting resource estimates from three major mineral blocks contained within the Corporation’s Labrador mineral claims, together with extensive mineral analysis, processing tests, smelting, and melt tests conducted over the last 12-24 months. The “NI 43-101” was prepared by SRK Consulting (Canada) Inc. supplemented by technical assistance and review for processes and mineral testing by Hatch Engineering of Mississauga, ON. Please refer to the “NI 43-101” document for detailed resources estimates, detailed mineral analysis, and detailed results from the smelting and melt tests conducted by the Corporation. Ultimately, even if the Corporation has success in identifying mineral resources on any properties it may acquire, the economics of potential projects may be affected by many factors beyond the capacity of it to anticipate and control, such as the marketability of the mineral products under profitable conditions, government regulations relating to health, safety and the environment, the scale and scope of royalties and taxes on production. One or more of these risk elements could have an adverse impact on costs of an operation which, if significant enough, could reduce or eliminate the profitability of a particular project.

### *Properties Remote*

The property of NAIC is located in a remote area with limited infrastructure. Exploration activities on such projects are particularly vulnerable to delays and additional costs due to weather conditions, labour shortages and other unforeseeable issues.

### *Operational Risks*

The Corporation shall be subject to a number of operational risks and may not be adequately insured for certain risks, including: environmental pollution, accidents or spills, industrial and transportation accidents, which may involve hazardous materials, labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory

environment, impact of non-compliance with laws and regulations, natural phenomena, such as inclement weather conditions, floods, earthquakes, ground movements, cave-ins and encountering unusual or unexpected geological conditions and technological failure of exploration methods. This lack of insurance coverage could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

### ***Competition for Mineral Acquisition Opportunities***

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with larger, better established mining companies with substantial capabilities and greater financial and technical resources, the Corporation may be unable to acquire rights to exploit additional attractive mining properties on terms that the Corporation considers acceptable. If the Corporation is not able to acquire such interests, this could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

### ***Exploration and Development Activities May Not be Successful***

Exploration for and development of mineral properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. The Corporation cannot ensure that its future exploration and development programs shall result in profitable commercial mining operations.

### ***Properties May be Subject to Defects in Title***

Although the Corporation is not aware of any existing title uncertainties with respect to the property, there is no assurance that such uncertainties shall not result in future losses or additional expenditures, which could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

### ***Environmental, Health and Safety Risks***

Mining and exploration companies such as the Corporation must comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of jurisdictions.

### ***Decommissioning and Reclamation***

Environmental regulators are increasingly requiring financial assurances to ensure that the cost of decommissioning and reclaiming sites is borne by the parties involved, and not by government. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required in the future by regulators.

### ***Governmental Regulation and Policy Risks***

Mining operations and exploration activities, refining, conversion and transport in Canada are subject to extensive laws and regulations. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response, and other matters. Since legal requirements change, are subject to interpretation and may be enforced in varying degrees in practice, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

### ***Commodity Price Fluctuations***

The price of commodities varies on a daily basis but long term averages are the best method of estimating future prices. However, price volatility could have dramatic effects on the Corporation's results of operations and the ability of the Corporation to execute its business plan.

### ***Currency Fluctuations***

The Corporation presently maintains its accounts in Canadian dollars. The Corporation's future operations may make it subject to foreign currency fluctuations and such fluctuations may materially affect its financial position and results.

### ***Key Personnel***

The senior officers of the Corporation are critical to its success. In the event of the departure of a senior officer, the Corporation believes that it shall be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Corporation grows is critical to its success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Corporation's business activity grows, it shall require additional key financial, administrative and mining personnel as well as additional operations staff. If the Corporation is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

### ***Price Volatility of Publicly Traded Securities***

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price shall not occur. It may be anticipated that any quoted market for the shares of the Corporation shall be subject to market trends generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of the Corporation's shares shall be affected by such volatility. An active public market for the Corporation's shares might not develop or be sustained after completion of the Proposed Transactions.

### ***Legal Proceedings***

There are no outstanding legal proceedings against the Corporation.

### ***Market for Securities***

The Common Shares of the Corporation are listed and posted for trading on the Canadian National Stock Exchange (CNSX) under the trading symbol "YYR".

### **Cash Flow Requirements**

The long-term debt repayments including interest and payments under various operating leases for the next five years are as follows:

Description	Total	Less than one year	2-3 years	4-5 years	After 5 years
Loan- ACOA	\$ 500,000	\$ -	\$ -	\$ 150,000	\$ 350,000
Loan -State of Pennsylvania	1,175,821	249,566	320,940	327,420	277,895
Convertible Debenture( inclusive of interest)	2,390,000	100,000	200,000	2,090,000	-
Plant Rental -Forks Township, Pennsylvania	2,327,620	924,885	935,309	467,425	-
	\$ 6,393,441	\$ 1,274,451	\$ 1,456,249	\$ 3,034,845	\$ 627,895



Conversion Rate used was \$1.30 CDN. Refer to Note 9 of the audited consolidated financial statements at June 30, 2016 for detailed terms and repayments requirements for the Atlantic Canada Opportunity Agency (ACOA), State of Pennsylvania loans and Convertible Debenture.

### Transactions with Related Parties

The Corporation incurred the following related party expenditures for the fourth quarter and year ended June 30, 2016.

Purpose of Transaction	Quarter		Year -to -date	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
	\$	\$	\$	\$
Directors Fees	2,100	8,750	15,750	18,550
Management Fees	41,250	41,250	165,000	165,000
Stock based compensation	(83,000)	-	288,000	1,330,000
Consulting fees	269,742	(127,909)	834,021	773,108
Salaries and benefits	272,617	527,603	686,672	565,260
	<b>502,709</b>	<b>449,694</b>	<b>1,989,443</b>	<b>2,851,918</b>
Capitalized	(59,023)	(335,401)	-	98,579
	<b>561,732</b>	<b>785,095</b>	<b>1,989,443</b>	<b>2,753,339</b>

The compensation expense associated with key management and directors for services is as follows:

Key management personnel includes the President, Vice President and the Chief Financial Officer of MMI, the President, Chief Executive Officer, Chief Financial Officer and Chief Corporate Affairs, Geologist, and Chief Operating Offer for GRI.

These transactions with related parties have been valued in the consolidated financial statements at the estimated fair value, which is the amount of consideration established and agreed to by the related parties.

### Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

### Proposed Transactions

As at the date of this MD&A there are no transactions that the board of directors or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with and that have not been publicly disclosed.

### DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109 issued by the Canadian Securities Administrators (“NI52-109”), MMI’s Chief Executive Officer (CEO) and MMI’s Chief Financial Officer (CFO) will be filing annual certificates “Certification of Disclosure of Issuers’ Annual and Interim Filings” concurrent with the completion of filing its annual filings. The certifying officers have concluded that disclosure controls and procedures are effective at March 31, 2015. Upon completion of its filings, the signed certificates will be available on SEDAR.

The CEO and CFO are reasonably certain that all information is made known to them and those procedures have been implemented to provide reasonable assurance of the reliability of the financial reporting and preparation of the financial statements for external reporting.

The Board of Directors together with an independent and highly qualified audit committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

### **Changes Internal Control over Financial Reporting**

The Certifying Officers have indicated that there were no significant changes in the Corporation's internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

### **ADDITIONAL INFORMATION**

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interest of insiders in material transactions, if applicable, is contained in the Corporation's information circular for its most recent annual meeting of shareholders, and in the Corporation's comparative financial statements for its most recently completed financial year.

This document may contain forward-looking statements, which may include sales, earnings, and profitability comments. These statements may contain words such as "anticipated", "expected", "could", "should", "may", "plans", "will", or similar expressions that are based on and arise out of our experience, our perception of trends, current conditions and expected future developments as well as other factors. These statements are not a guarantee of future performance. By their very nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved.

Readers are cautioned not to place undue reliance on forward looking statements as a number of important factors, as disclosed herein and in the Corporation's other continuous disclosure documents, could cause actual results to differ materially from those expressed in such forward looking statements. The Corporation includes in publicly available documents filed from time to time with securities commissions, and the Canadian Securities Exchange, a thorough discussion of the risk factors that can cause the Corporation's anticipated outcomes to differ from actual outcomes. The Corporation disclaims any intention or obligation to update or revise forward-looking statements.

### **Public Securities Filings**

Other information about the Corporation, including the annual information form and other disclosure documents, reports, statements or other information that is filed with Canadian securities regulatory authorities can be downloaded in portable document format (PDF) from the SEDAR web site for Canadian regulatory filings at [www.sedar.com](http://www.sedar.com) additional information is also available on the Canadian Securities Exchange at [www.cnsx.ca](http://www.cnsx.ca)

## **CORPORATE PROFILE**

### **Board of Directors**

J. Paul Allingham  
David J. Hennigar  
C.H. (Bert) Loveless  
Francis H. MacKenzie  
Jean-Marc MacKenzie  
Paul R. Snelgrove  
K. Barry Sparks  
E. Christopher Stait-Gardner

### **Corporate Officers**

David J. Hennigar, Chairman  
Francis H. MacKenzie, President & Chief Executive Officer  
C.H. (Bert) Loveless, Vice President  
Lorne S MacFarlane, Chief Financial Officer  
Lina Tannous, Secretary

### **Corporate Head Office**

Metalo Manufacturing Inc.  
Attn: K. Barry Sparks  
1600 - 141 Adelaide Street West  
Toronto, ON M5H 3L5  
Fax Number: (902) 484-7599  
Phone Number: (902) 499-7150

### **Mailing Address**

Metalo Manufacturing Inc.  
Attn: Lorne S. MacFarlane  
380 - 311 Bedford Highway  
Halifax, NS B3M 2L4

### **Corporate Information**

Bankers	Bank of Montreal, Main Branch, Halifax, Nova Scotia
Lawyers	RBC Law, Halifax, Nova Scotia
Auditors	PricewaterhouseCoopers LLP
Transfer Agent & Registrar	TSX Trust Trust Company, Toronto, Ontario

### **Stock Exchange**

Canadian Securities Exchange (“CSE”)  
Trading Symbol: MMI

### **Shareholder Information**

Contact Person:	C H Bert Loveless
Contact Telephone Number:	(902) 471 -8028
Contact E-Mail Address:	bert@muskratminerals.ca.

